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Department of State

EXCISE TELEGRAM

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Wilmington 2294 9-23-70

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ACTION E-4/

INFO OCT-01 SS-20 AF-05 EUR-12 H-01 INR-07 P-01 PRS-01
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INFO AMEMBASSY LONDON
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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY OJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

S E C R E T TRIPOLI 2299

LIMDIS

SUBJ: OIL NEGOTIATIONS

REF: STATE 156345

1. LIBYANS ARE NOT BLUFFING. THEY HAVE ALREADY ASSURED, THROUGH DEALS WITH OXY AND THREE AMERICAN PARTNERS OASIS, PRODUCTION OF APPROXIMATELY 1.5 RPT 1.5 MPD. AS WE HAVE REPEATEDLY POINTED OUT, LARG HAS SUFFICIENT FOREIGN EXCHANGE RESERVES TO COVER THREE YEARS NON-OIL IMPORTS AT 1968 LEVEL. IN ADDITION, LARG NOT IMPRESSED BY MAJORS' ARGUMENT THAT LIBYAN INCREASE WILL SET PRECEDENT: ON CONTRARY, THEY EXPECT THEIR ACTION TO BE FOLLOWED BY OTHER ARAB PRODUCERS AND SEE SUCH MOVES (IN LIBYAN CONTEXT AT LEAST) AS "NECESSARY RECTIFICATIONS."

2. IT IS TRUE THAT JALLUD TOLD SHELL 22 SEPTEMBER THAT, SINCE COMPANY REFUSED RETROACTIVITY PART OF PACKAGE, ITS SHARE OF OASIS PRODUCTION WOULD BE "STOPPED." WE UNDERSTAND FROM OTHER OASIS OWNERS HOWEVER THAT ONLY ACTION LARG HAS TAKEN IS TO BLOCK SHIPMENTS OF CRUDE FOR WHICH SHELL IS CONSIGNOR, I.E. BAN EXPORTS OF SHELL "OWNED" CRUDE.

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3. [redacted] B1

4. WE AGREE WITH DEPT'S ESTIMATE POSSIBLE LARG SCENARIO, WITH FOLLOWING COMMENTS: IT HIGHLY LIKELY THAT WORD OF COMPANIES IMXW NT TO STAND FAST WILL GET BACK TO LARG BEFORE JALLUD ACTUALLY CALLS MAJORS IN. AND IT CONCEIVABLE IN THESE CIRCUMSTANCES THAT LIBYANS WOULD HOLD OFF ON PRESENTING DEMANDS--BUT ONLY UNTIL THEY HAD TAKEN ALL POSSIBLE PRECAUTIONS AND HAD ACTIVATED SOME ALTERNATIVES TO MAJORS. IN THIS CONNECTION, WE BELIEVE [redacted] B1 EAST EUROPEANS MAY ALREADY HAVE GIVEN LARG SOME ASSURANCE OF HELP IN EVENT OF IMPASSE. THUS LARG CAN KEEP ITS CAKE AND EAT IT TOO. THEREFORE, ANY RESPITE RESULTING FROM FIRM STAND BY MAJORS IS LIKELY TO BE OF VERY SHORT DURATION.

5. [redacted] B1 B5

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